

**MINUTES OF THE
SOUTH OGDEN CITY COUNCIL MEETING
Tuesday, December 16, 2014 – 6:00 p.m.
Council Chambers, City Hall**

COUNCIL MEMBERS PRESENT

Mayor James F. Minster, Council Members Sallee Orr, Wayne Smith, Brent Strate, Russ Porter and Bryan Benard

STAFF MEMBERS PRESENT

City Manager Matt Dixon, City Attorney Ken Bradshaw, Parks and Public Works Director Jon Andersen, Chief of Police Darin Parke, Fire Chief Cameron West, and Recorder Leesa Kapetanov

CITIZENS PRESENT

Jerry Cottrell, Gary Boyer, Walt Bausman, Marcus Arbuckle, Jim Pearce, Robert Higgs, Brad Jensen

I. OPENING CEREMONY

A. Call to Order

Mayor James F. Minster called the meeting to order at 6:10 pm and called for a motion to convene.

Council Member Smith moved to convene as the South Ogden City Council, with a second from Council Member Benard. In a voice vote Council Members Strate, Orr, Porter, Benard and Smith all voted aye.

B. Prayer/Moment of Silence

The mayor led those present in a moment of silence.

C. Pledge of Allegiance

Council Member Porter then directed everyone in the Pledge of Allegiance.

Mayor Minster then indicated it was time for public comments and invited anyone who wished to come forward.

II. PUBLIC COMMENTS

Walt Bausman, 5792 S 1075 E – said he felt after a year and half his voice was finally being heard and some issues were being resolved. He hoped some other issues concerning a single property could be resolved. Six months ago it had been proposed that members of his neighborhood sit down with the city to come up with a plan to rectify differences; it had never happened. Three months ago a moratorium had been put in place so the city would have time to come up with zoning compliance for those who are disabled but nothing had been done. The city needed to evaluate

where it stood. It was not acceptable for a few people to create a plan that sat on a shelf collecting dust. Piecemeal zoning needed to stop. He wanted to continue to live in a neighborhood filled with character and spirit and not have someone tell them how it would happen. The process needed to be changed; citizens needed to be engaged in the process.

Robert Higgs, owner of Burch Creek Mercantile, 3924 Washington Blvd. – Mr. Higgs thanked Special Events Coordinator Jill McCullough for the many events she brought to the community. He also thanked members of the city for installing Christmas decorations along Washington Boulevard. Mr. Higgs then said his reason for speaking was in hopes that a committee could be formed to bring back some traditions to South Ogden. At Christmas time, there had always been many lights and events, but they had all decreased over the years. Mr. Higgs gave many examples of areas of the city that had been neglected. He also pointed out that surrounding cities had decorations and events that welcomed people into their city. He would like to form a committee of volunteers and members of the city council to come up with cost effective ideas to welcome people to the city.

Mayor Minster asked City Manager Dixon to get together with Special Events Coordinator Jill McCullough to come up with something.

III. RECOGNITION OF SCOUTS/STUDENTS PRESENT

There were no scouts or students present.

IV. CONSENT AGENDA

- A. **Approval of November 25, 2014 Combined City Council/Planning Commission Special Meeting Minutes**
- B. **Approval of December 2, 2014 Council Minutes**
- C. **Set Date for Public Hearing (January 6, 2015 at 6 pm or as soon as the agenda permits) to Receive and Consider Comments on the Proposed Adoption of the City Water Conservation Plan**

Mayor Minster read through the consent agenda and asked if there were any questions. Council Member Orr asked if the council had received a copy of the water conservation plan. Staff said they were only setting the date for the public hearing and the plan would be included in the January 6th council packet; however, the plan was completed and a copy would be emailed to the council the next day. The mayor called for a motion to approve the consent agenda.

Council Member Porter moved to approve the consent agenda, items A thru C. The motion was seconded by Council Member Orr. There was no further discussion on the motion. The voice vote was unanimous in favor of the motion.

The consent agenda was approved.

V. PRESENTATION

- A. **Marcus Arbuckle, Keddington & Christensen - Audit Report**

The mayor introduced Mr. Arbuckle and turned the time to him for the annual audit report. Mr. Arbuckle gave copies of the report to the council (see Attachment A) and reviewed the three sections of the report with them; the auditor's opinion, the internal controls report and the state compliance report. He went over some findings in the state compliance

report, pointing out some areas the city could improve on. Council Member Smith asked several questions concerning the city's ambulance fund. Mr. Arbuckle answered the questions and concluded his report by saying that staff had been very helpful with the audit, and that no evidence of fraud had been found. There were no further questions from the council.

VI. DISCUSSION / ACTION ITEMS

A. Consideration of Ordinance 14-15 – Extending the Current Moratorium

City Manager Dixon reviewed the conditions of the moratorium with the council, pointing out the moratorium would end December 31st, which was before the next council meeting. This ordinance would extend the moratorium an additional 60 days. Council Member Strate asked several questions to verify when the moratorium would expire. Council Member Porter asked if the current moratorium had hurt business in the city. City Manager Dixon said there had been many inquiries, as there always were, concerning development in the city. Staff had explained the moratorium to those calling, but it was unknown if having the moratorium in place had changed their plans. The council discussed the scope of the current moratorium and how it had changed from the original moratorium put in place on September 2nd. They also asked what kinds of approvals commercial businesses would need from the planning commission. Staff explained that even if a use was permitted in a commercial zone, site plan approval would need to be granted by the Planning Commission; the current moratorium would prevent the approval, even if the use was allowed. The council discussed whether the current moratorium was overbroad in its scope. Council Member Smith asked if the current litigation would nullify anything accomplished during the moratorium. Council Member Benard felt the litigation was a separate issue and would not affect or be affected by the current moratorium; the city should adopt the ordinance to extend the current moratorium and go forward with the planned changes to the city code. Council Member Porter agreed. Council Member Strate said he would prefer the commercial zones be limited as little as possible. City Manager Dixon pointed out the council could vote to approve the extension of the current moratorium and then amend it at a future meeting if they desired. He also asked for some clarification of exactly what the council wanted to amend. City Recorder Kapetanov suggested a solution might be to simply allow site plan approvals for permitted uses in commercial zones; then other things like conditional uses in commercial zones would still be prohibited under the moratorium. After discussion, the council determined they would approve the extension, but directed staff to amend the moratorium to make the least imposition on commercial development as possible. There was no more discussion by the council. Mayor Minster called for a motion.

Council Member Benard moved to adopt Ordinance 14-15, followed by a second from Council Member Strate. The mayor asked if there was further discussion, and seeing none, he called the vote:

Council Member Benard-	Yes
Council Member Strate-	Yes
Council Member Smith-	Yes
Council Member Porter-	Yes
Council Member Orr-	Yes

Ordinance 14-15 was adopted.

B. Consideration of Resolution 14-32 – Approving a Franchise Agreement With Comcast

City Manager Dixon informed the council that some parts of the agreement were still being resolved and he recommended it be tabled. The mayor called for a motion that the resolution be tabled.

Council Member Porter moved to table Resolution 14-32, approving a franchise agreement with Comcast. The motion was seconded by Council Member Smith. Mayor Minster then made a roll call vote:

Council Member Porter-	Yes
Council Member Smith-	Yes
Council Member Strate-	Yes
Council Member Benard-	Yes
Council Member Orr-	Yes

The motion was approved.

C. Consideration of Resolution 14-34 – Approving a Memorandum of Understanding With Brady Panter, DVM for Veterinary Services

City Manager Dixon explained that for the city's animal control to properly administer rabies shots, euthanasia, etc., it had to do so under the supervision of a licensed veterinarian. This agreement with Doctor Panter was for two years at \$1,200 per year. There were no questions from the council. The mayor called for a motion.

Council Member Orr moved to adopt Resolution 14-34. Council Member Porter seconded the motion. There was no further discussion. Mayor Minster called the vote.

Council Member Orr-	Yes
Council Member Porter-	Yes
Council Member Benard-	Yes
Council Member Strate-	Yes
Council Member Smith-	Yes

The resolution was adopted.

D. Discussion on Nature Park Related Issues

City Manager Dixon said this item was placed on the agenda at the request of Council Member Porter specifically to talk about keeping the trails maintained during the winter months. Mr. Dixon also stated that in previous discussions, staff had asked the council to consider costs and liability as factors in whether to keep the trails open in the winter. Council Member Porter explained that since the council's last discussion he had thought further on the matter and felt that the city ought to do a two year trial in plowing the trails. During the trial staff should keep data such as man hours involved in maintaining the trail as well as wear and tear on it. Council Member Strate said he agreed. The council discussed the liability involved in plowing the trails and whether installing signs would lessen the city's liability. Council Member Orr cautioned the council, explaining that if after the trial period the city decided not to maintain the trails in the winter and stopped doing so, there may be angry residents.

City Manager Dixon pointed out the trail itself had not been slurry sealed or constructed to be plowed and was therefore very vulnerable to damage. The city would also be using a one ton truck to plow the trail, as that was the best equipment it currently had on hand.

The council discussed the different methods of plowing and equipment needed. Council Member Benard expressed his concern with the fact that the equipment used would still leave a layer of snow that would be subject to freezing and thawing, leaving dangerous areas on the trails. Parks and Public Works Director Jon Andersen commented there would always be dangerous portions of the trails because of things like always being in the shade and other conditions. He also pointed out that if the trails at Nature Park were plowed, the trails at Glasmann and Friendship Parks should be plowed as well. Council Member Strate suggested signs be put up to warn people whether the trails were maintained in the winter or not. Council Member Benard said he was not prepared to give the okay to plow the trails without getting a better legal opinion; he felt that by undertaking something the city created a higher liability risk. Council Member Strate pointed out there was liability everywhere in the city, at the splash pad or any park. He still felt the city should create a policy for maintenance on the trails, put up signs, and still plow them in the winter. Council Member Smith remarked he was not against plowing the trails, but if they were done at one park, they should be done at all parks. City Manager Dixon asked the council for direction so staff would know how to move forward. Council Member Porter suggested a policy be put in place to open the trails, determine what types of signs should be put up to minimize litigation, and have public works determine the best way to clear the snow with the least amount of cost. Council Members Strate and Orr agreed.

VII. REPORTS

A. Mayor – wished everyone a very Merry Christmas.

B. City Council Members

Council Member Porter – nothing to report.

Council Member Orr – thanked each department head and their staff individually for their work throughout the year. She also requested that when the Planning Commission made their recommendation on zoning on January 8th, that it be forwarded, along with the comments from concerned residents, to the council as soon as possible. Ms. Orr then asked Fire Chief West if the ambulance billing was better contracted out, or if it had been better when it was done in house. The chief said it was better being contracted out.

Council Member Benard – said he had received many compliments on the road work in the city. He then thanked Marci Edwards for her work with the Youth City Council.

Council Member Strate – thanked Mr. Higgs for his earlier comments and for the care he took to always make his business look good. He also agreed with the things Council Member Orr said in complimenting each department. He also asked that some documents he provided be forwarded to the planning commission.

Council Member Smith – reminded everyone that he would be out of town from January 28th thru February 6th. He then said he was still receiving calls concerning the home on 42nd Street. Parks and Public Works Director Jon Andersen asked if it was the home at 4030 Madison; Mr. Smith said it was. Mr. Andersen said a letter had been sent to start the process of demolition. The owner had twenty days to respond and 45 days to either demolish or bring it up to the city's specifications.

- C. **City Manager** – concerning branding, the consultant wanted to put together a citizen committee of ten to fifteen residents. There had not been a big response to the request, so they were still looking for people to be on the committee; if the council was aware of anyone who might be willing to participate, he asked that they let him know. He also asked the council to respond to the branding document he had sent out.
- D. **City Attorney Ken Bradshaw** – not present.

VIII. ADJOURN CITY COUNCIL MEETING AND CONVENE INTO AN EXECUTIVE SESSION

A. Pursuant to UCA §52-4-205 1(c) to discuss pending or reasonably imminent litigation

Mayor Minster indicated it was time to enter into an executive session and called for a motion to do so. Council Member Orr then said she had forgotten to mention something in her comments. She asked that a notification be sent out in the newsletter concerning the public hearing on upcoming zoning changes. Council Member Strate asked that it be included on the utility bill as well.

At 7:43 pm, Council Member Porter moved to adjourn council meeting and convene into an executive session, followed by a second from Council Member Strate. The vote was unanimous to move into executive session.

Note: The council moved to the adjoining conference room for the executive session.

IX. ADJOURN EXECUTIVE SESSION, RECONVENE CITY COUNCIL MEETING, ADJOURN CITY COUNCIL MEETING AND CONVENE INTO WORK SESSION

At 8:42 pm, the council returned to the council chambers. (Note: Council Member Porter was present for the entire executive session, but left at its conclusion and before the council moved to adjourn the executive session and convene into a work session).

Mayor Minster called for a motion to adjourn the executive session.

Council Member Benard moved to adjourn the executive session, reconvene as the South Ogden City Council, adjourn city council meeting and move into a work session. Council Member Smith seconded the motion. Council Members Orr, Smith, Benard and Strate all voted aye.

Discussion on Amending the Annexation Policy Plan

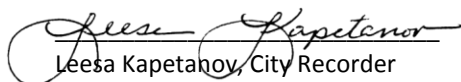
City Manager Dixon referred the council to the information included in the packet on annexation, reviewing minutes of previous planning commission and city council meetings concerning annexation and the property south of the junior. Mr. Dixon pointed out that during the process of annexing the property for the junior high, Washington Terrace and South Ogden worked closely together in deciding how the area around the junior high would develop and who would provide what services. He then referred the council to a map included in the interlocal agreement with Washington Terrace that showed some of the property owned by Doug Stephens south of the junior high and who would provide services to it. He also pointed out South Ogden had de-annexed the property where the current junior high seminary building was located, and Washington Terrace had annexed it. Council Member Smith remarked the de-annexation of the seminary property as well as the property west of the junior high had been part of the negotiations with Washington Terrace to be able to have the junior high in South Ogden.

City Manager Dixon then referred the council to recent discussions by the planning commission concerning annexation; they had determined that providing services for the area was cost prohibitive. Council Member Benard commented he was disappointed in the scope of the planning commission's discussion; they had not talked about the continuity of the city, recreation, etc. Council Member Orr remarked the costs would be borne by the developer, not the city. City Manager Dixon said that was true to certain point, but the city would have ongoing costs to maintain things like a lift station, additional water storage tanks, etc. Council Member Smith stated it was the council's job to be visionary's for the city, and adding the area to the city's annexation plan made sense to him; it would give someone the option to annex to South Ogden, but he was quick to point out it was not a guarantee they would do it. If South Ogden's annexation plan overlapped with Washington Terrace's, it was fine. The city wanted to let people know it was open to development and annexation. Council Member Strate agreed. There was then some discussion and concern expressed by council members that if the area were to be annexed to Washington Terrace, South Ogden would not have a say as to how it would be developed; there was nothing to prevent it from becoming commercial. City Manager Dixon recognized the presence of City Engineer Brad Jensen and Parks and Public Works Director Jon Andersen, and asked them to comment on the utilities and maintenance aspect of the area in question. Mr. Jensen said there were obstacles to be overcome; the lay of the land made it difficult to get both water and sewer to the area. The council asked that staff gather information on where water and sewer lines were located and who owned them. Council Member Benard recognized that it may cost more money to get utilities to the area, but said it may be worth the extra cost to preserve the area for low density single family homes. He understood Washington Terrace had interest in the property, but they also needed to recognize South Ogden had a keen interest in what happened next to our residential zones. They should not fault the city for having the vision and desire to preserve the area. The council directed that the planning commission go through the process to add the area to the annexation policy plan.

X. ADJOURN WORK SESSION

At 9:56 pm, Council Member Strate moved to adjourn. The motion was seconded by Council Member Benard. The vote was unanimous to adjourn.

I hereby certify that the foregoing is a true, accurate and complete record of the South Ogden City Council Meeting held Tuesday, December 16, 2014.


Leesa Kapetanov, City Recorder

Date Approved by the City Council January 6, 2015

Attachment A
Annual Audit Report

CITY OF SOUTH OGDEN
BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014
Together with Independent Auditor's Report

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Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Tyson Beck, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
South Ogden, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Ogden as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City of South Ogden as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2014, on our consideration of South Ogden City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Ogden's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

December 16, 2014

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2014**

This document is a narrative overview and analysis of the financial activities of South Ogden City for the fiscal year ending June 30, 2014. South Ogden City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section.

Financial Highlights:

At the close of the most recent fiscal year the assets of South Ogden City exceeded its liabilities by \$42,099,480.

As of June 30, 2014 South Ogden City's governmental funds reported a combined ending fund balance of \$5,404,411. Of this amount, \$1,778,991 is available for spending at the City's discretion, while the remaining balance of \$3,625,420 is classified as in accordance to GASB No. 54.

The greatest portion of the City's total long-term debt is comprised of 2004 Sales Tax Revenue Bonds, 2006 Sales Tax Refunding Bonds, 2009 Sales & Excise Tax Revenue Bonds and 2012 Road Revenue Bonds. The 2004 & 2006 Bonds were used to fund a new city hall facility, parks building and to refurbish a fire station. The 2009 Bonds were issued as the City partnered with the local School District in the construction of a gym facility. The City will have a 50% ownership in the facility and a usage agreement has been worked out between the two entities. The City has pledged future sales and excise tax revenues towards this bond. The 2012 bonds were issued to finance road construction. The 2004 Sales Tax Revenue Bonds were refunded in 2014. The total combined principal outstanding as of June 30, 2014 is \$10,816,000; these bonds will be fully retired by 2029.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to South Ogden City's basic financial statements. The City's basic financial statements include three component parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

1.) Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of South Ogden City's finances, in a format similar to what is provided by private-sector businesses.

The Statement of Net Position presents information pertaining to all of South Ogden City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will need to be considered as well.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of South Ogden City include general government, public safety (police & fire), streets, public works, parks and recreation. The business-type activities of the City include providing water, sewer, solid waste, storm drain, and ambulance service.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

2.) Fund financial statements: A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. South Ogden City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

There are three fund types in which all individual fund classifications can be categorized: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has identified four major governmental funds (as determined by generally accepted accounting principles) that require separate reporting. They are general, special revenue, capital projects and debt service. There are not any non-major funds included within this report.

South Ogden City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with State budget statutes.

Proprietary Funds: Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its business-type activities, which as previously stated are water, sewer, solid waste, storm drain and ambulance service. The City has identified five enterprise funds (as determined by generally accepted accounting principles) that meet the criteria for major fund classification. There are not any enterprise funds classified as non-major within this report. Internal Service Funds are also a form of Proprietary Fund and they are used to report activities that provide services and supplies for a City's other programs and activities such as city garage and fuel services. South Ogden City has no Internal Service Funds.

Fiduciary Funds: Fiduciary funds are used to account for assets held by a City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. A City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. There are four fiduciary fund types: Pension (and other employee benefits) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. South Ogden City has no fiduciary funds.

3.) Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28 through 47 of this report.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Differences between Government-Wide and Fund Statements

Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements. Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements. Those revenues are deferred on the governmental fund statements. Government-wide statements provide users with a broad overview of the City's finances, similar to a private-sector business.

Government-wide Financial Analysis

As previously noted, an increase or decrease in net position, when viewed over a period of time, may serve as a useful indicator of whether the financial position of a City is improving or deteriorating. In the case of South Ogden City, net position exceeded liabilities by \$42,099,480 at the close of fiscal year 2014, whereas, at the close of fiscal year 2012, the City's net position exceeded liabilities by \$43,607,247.

The largest portion of South Ogden City's net position is \$36,333,023 in net investment in capital assets. This reflects its investments in land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. South Ogden City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although South Ogden City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

South Ogden City's Net Position

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013
Current and other assets	\$ 8,389,523	\$ 8,904,688	\$ 4,259,929	\$ 4,063,396
Capital assets	38,668,251	40,358,222	8,373,185	8,142,713
Total Assets	<u>\$ 47,057,774</u>	<u>\$ 49,262,910</u>	<u>\$ 12,633,114</u>	<u>\$ 12,206,109</u>
Current and other liabilities	\$ 625,663	\$ 701,903	\$ 503,371	\$ 415,268
Long-term liabilities	13,253,320	13,595,107	787,490	603,549
Total Liabilities	<u>\$ 13,878,983</u>	<u>\$ 14,297,010</u>	<u>\$ 1,290,861</u>	<u>\$ 1,018,817</u>
Deferred Inflows of Resources	<u>\$ 2,421,116</u>	<u>\$ 2,545,945</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:				
Net investment in capital assets	\$ 28,085,970	\$ 30,297,539	\$ 8,247,501	\$ 7,991,084
Restricted	1,058,824	434,543	371,587	313,884
Unrestricted	1,612,881	1,687,873	2,723,165	2,882,324
Total Net Position	<u>\$ 30,757,675</u>	<u>\$ 32,419,955</u>	<u>\$ 11,342,253</u>	<u>\$ 11,187,292</u>

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

At the end of the fiscal year, the City was able to report positive balances in net position, for total government activities and for the separate governmental and business-type activities.

Governmental Activities: Governmental activities are reflected in the government-wide activities statement. The governmental activities had a decrease in total net position of \$1,662,728 in 2014 compared to a decrease of \$834,398 in 2013.

Taxes are the main source of revenue, consisting of 70.13% of total revenue in 2014. This is slightly lower than the 2013 amount of 72.21% and the 70.96% from 2012. The City collects five kinds of taxes (property, sales, delinquent property, fee-in-lieu and franchise taxes). Current year property taxes and sales taxes account for 32.14% and 43.69% respectively of total taxes collected in 2014. In 2013 the percentages were 33.71% and 42.31%, while in 2012 they were 34.11% and 42.29% respectively. These numbers are holding relatively steady. The slight fluctuation for fiscal year 2014 would be the result of an increase in sales tax revenues. The past two years have seen an increase in sales tax revenues as the national recession gets a little bit better. The City is now starting to see this revenue stream rebound and experience some growth. The property tax percentage had been gradually declining since 2005 but in 2010 a property tax increase was voted in by the City Council. Albeit a small increase it has had an impact on the overall numbers.

The three greatest expenditures incurred by the City were public safety, public works and general government. The over-all operating expenditures of the City, for the most part, have remained fairly stable.

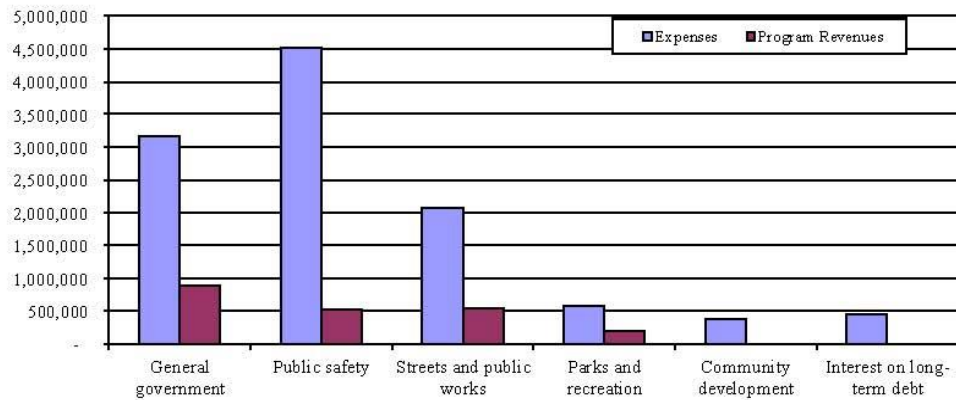
SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

South Ogden City's Changes in Net Position

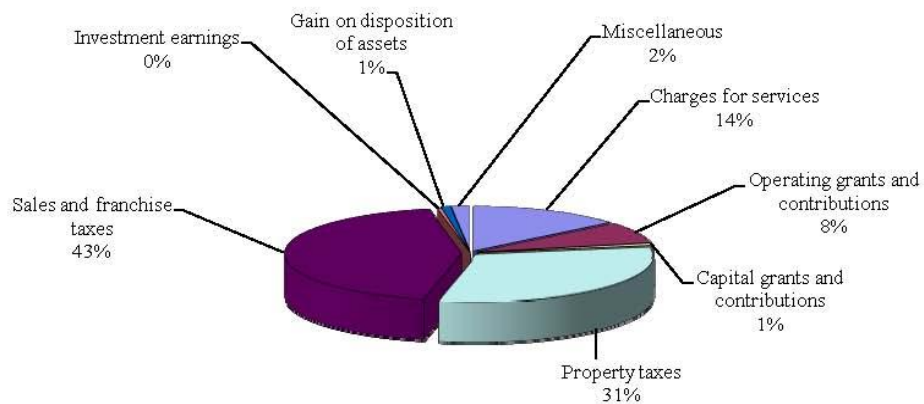
	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013
Revenues:				
Program revenues:				
Charges for services	\$ 1,336,944	\$ 1,243,505	\$ 4,763,133	\$ 4,825,338
Operating grants and contributions	727,841	658,984	-	-
Capital grants and contributions	67,998	65,855	154,360	39,831
General revenues:				
Property taxes	2,955,931	2,977,888	-	-
Sales and franchise taxes	4,152,438	3,960,962	-	-
Investment earnings	36,672	60,028	14,479	1,858
Gain on disposition of assets	83,712	51,553	24,750	-
Miscellaneous	163,182	21,244	78,291	60,383
Total Revenues	<u>9,524,718</u>	<u>9,040,019</u>	<u>5,035,013</u>	<u>4,927,410</u>
Expenses:				
General government	3,180,121	3,101,401	-	-
Public safety	4,510,279	4,193,118	-	-
Streets and public works	2,075,608	1,281,067	-	-
Parks and recreation	568,835	400,849	-	-
Community development	390,641	433,970	-	-
Interest on long-term debt	461,514	464,012	-	-
Water	-	-	1,479,544	1,390,250
Sewer	-	-	1,600,757	1,579,383
Storm drain	-	-	562,438	452,769
Solid waste	-	-	734,093	718,679
Ambulance	-	-	503,220	511,397
Total Expenses	<u>11,186,998</u>	<u>9,874,417</u>	<u>4,880,052</u>	<u>4,652,478</u>
Increase in net position before transfers	(1,662,280)	(834,398)	154,961	274,932
Transfers	-	-	-	-
Increase in Net Position	<u>(1,662,280)</u>	<u>(834,398)</u>	<u>154,961</u>	<u>274,932</u>
Net Position, Beginning	<u>32,419,955</u>	<u>33,254,353</u>	<u>11,187,292</u>	<u>10,912,360</u>
Net Position, Ending	<u>\$ 30,757,675</u>	<u>\$ 32,419,955</u>	<u>\$ 11,342,253</u>	<u>\$ 11,187,292</u>

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

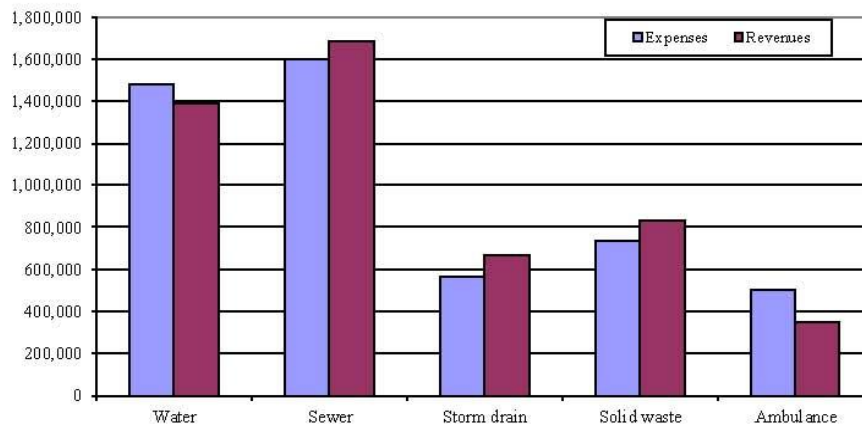


**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

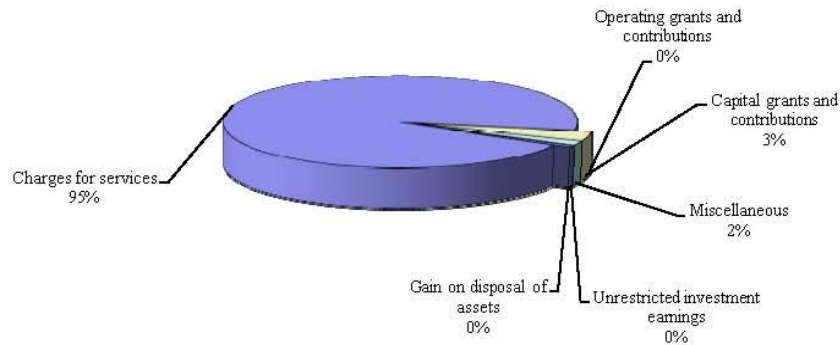
Business-type Activities: Business-type activities have increased the City's net position by \$154,961 during the current year. The increase for the previous year, 2013 was \$274,932.

The majority of revenues in the business-type activities are in charges for services which account for 98.38% of the revenues for fiscal year 2014, which is down from 98.63% and up from 88.40% for years 2013 and 2012 respectively.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Financial Analysis of Governmental Funds:

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of resources available to spend. Such information is useful in assessing the City's financing requirements.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$5,404,411. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for the business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

General Fund Budgetary Highlights:

The fiscal year 2014 original adopted budget for the general fund totaled \$9,270,488. The City Council approved budget amendments during the year bringing the modified total general fund budget to \$9,565,776.

Explanation of variances between original budgeted amounts and final budgeted amounts:

- The increase on the revenue side is due to some additional State/Local Grants that were received, some miscellaneous revenues and an increase in animal adoptions throughout the year.
- The variances on the expenditures side are associated with; the additional costs associated with the animal control services, some work within the streets department and a few miscellaneous items.

Capital Assets and Debt Administration:

As of June 30, 2014, the City has invested \$47,041,436 net of accumulated depreciation in capital assets for its governmental and business-type activities. This amount is \$1,459,499 less than compared to the 2013 amount of \$48,500,935. The City feels that its ability to increase capital assets will be difficult in the coming years even though the nation recovers from the recession. The City will have fewer funds available during these times to invest in capital assets and the City will continue to focus on providing the necessary and required services to the residents and any available monies will be spent on repairing and maintaining existing assets as opposed to purchasing new ones.

South Ogden City's Capital Assets				
(net of depreciation)				
	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013
Land	\$ 10,144,413	\$ 10,144,413	\$ 412,413	\$ 412,413
Construction in progress	37,250	20,119	-	-
Building and improvements	10,110,850	10,380,388	5,234	6,324
Machinery and equipment	1,852,123	1,949,576	933,746	427,706
Infrastructure	16,523,615	17,863,726	7,021,792	7,296,270
Total Capital Assets	<u>\$ 38,668,251</u>	<u>\$ 40,358,222</u>	<u>\$ 8,373,185</u>	<u>\$ 8,142,713</u>

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

As of June 30, 2014, the City's Governmental Activities had a long-term debt outstanding balance of \$11,831,059. This amount is comprised of the following component parts:

2006 Sales Tax Refunding Bonds - \$6,045,000 – retired by 2029
2009 Sales & Excise Tax Revenue Bonds - \$1,500,000 – retired by 2024
2012 Road Revenue Bonds - \$1,760,000 – retired by 2022
2014 Sales Tax Refunding Bonds - \$1,511,000 – retired by 2018
Capital leases - \$943,264
Compensated absences - \$466,030
Other post-employment benefits - \$1,028,027

As of June 30, 2014, the City's Business-type Activities had a long-term debt outstanding balance of \$644,990. This amount is comprised of the following component parts:

Capital leases - \$279,629
Compensated absences - \$46,769
Other post-employment benefits - \$461,092

South Ogden City's Outstanding Debt

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013
Bonds payable	\$ 10,816,000	\$ 11,475,000	\$ -	\$ -
Capital leases	943,263	729,538	279,629	151,629
Compensated absences	466,030	425,837	46,769	47,799
Other post employment benefits	1,028,027	964,732	461,092	404,121
Total	<u>\$ 13,253,320</u>	<u>\$ 13,595,107</u>	<u>\$ 787,490</u>	<u>\$ 603,549</u>

Economic Factors and Next Year's Budget and Rates:

Economic indicators for the state are on an incline. Conditions have not deteriorated locally at the rate that they have in other regions of the country. The unemployment rate in the area continues to be quite low and well below the national average. In addition, Utah was recently ranked the number one state in the union for businesses. The State's rate has been below 5% since March 2013. New construction continues to increase and sales tax revenues are also on the incline.

The City's budget for fiscal year 2015 will not be as lean as in previous years, and it will include a few capital projects. A positive benefit, which the City is taking advantage of during these recessionary times is, that bids on large scale construction projects are coming in 30 to 40% below engineering estimates because of the intense competitiveness between construction companies and their desire to be awarded jobs to keep their employees busy. The City will scale back the continued work on the 52 acre Nature Park. Phase II has been completed, but phase III will be delayed until funding is more readily available. The City Council does not anticipate a property tax increase. Fees for the enterprise funds will not be increased in fiscal year 2015.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Request for Information:

This financial report is designed to provide a general overview of South Ogden City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

South Ogden City
Director of Finance
3950 Adams Avenue Suite #1
South Ogden, UT 84403

BASIC FINANCIAL STATEMENTS

SOUTH OGDEN CITY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,678,388	\$ 3,037,795	\$ 5,716,183
Accounts receivable - net	1,054,558	795,876	1,850,434
Due from other governmental units	2,182,602	-	2,182,602
Prepaid expenses	60,281	54,671	114,952
Restricted cash and cash equivalents	2,299,062	371,587	2,670,649
Due from business-type fund	114,632	-	114,632
Capital assets, not being depreciated:			
Land	10,144,413	412,413	10,556,826
Construction in progress	37,250	-	37,250
Capital assets, net of accumulated depreciation:			
Buildings and improvements	10,110,850	5,234	10,116,084
Machinery and equipment	1,852,123	933,746	2,785,869
Infrastructure	16,523,615	7,021,792	23,545,407
Total Assets	\$ 47,057,774	\$ 12,633,114	\$ 59,690,888
Liabilities:			
Accounts payable	\$ 369,321	\$ 372,289	\$ 741,610
Accrued liabilities	131,419	15,605	147,024
Accrued interest payable	61,667	-	61,667
Due to governmental fund	-	114,632	114,632
Developer/customer deposits	63,256	845	64,101
Noncurrent Liabilities:			
Due within one year			
Compensated absences	385,786	46,769	432,555
Other post employment benefits	29,825	-	29,825
Bonds payable	729,000	-	729,000
Capital leases	278,098	93,962	372,060
Due in more than one year			
Compensated absences	80,244	-	80,244
Other post employment benefits	998,202	461,092	1,459,294
Bonds payable	10,087,000	-	10,087,000
Capital leases	665,165	185,667	850,832
Total Liabilities	13,878,983	1,290,861	15,169,844
Deferred Inflows of Resources:			
Unavailable revenue-property taxes	2,421,116	-	2,421,116
Total deferred inflows of resources	2,421,116	-	2,421,116
Net Position:			
Net investment in capital assets	28,085,970	8,247,501	36,333,471
Restricted for:			
Roads	259,584	-	259,584
Debt service	269,709	-	269,709
Impact fees	63,501	371,587	435,088
Employee benefits	466,030	-	466,030
Unrestricted	1,612,881	2,723,165	4,336,046
Total Net Position	30,757,675	11,342,253	42,099,928
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 47,057,774	\$ 12,633,114	\$ 59,690,888

The notes to the financial statements are an integral part of this statement

**SOUTH OGDEN CITY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,180,121	\$ 687,928	\$ 200,341	\$ -	\$ (2,291,852)	\$ -	\$ (2,291,852)
Public safety	4,510,279	502,571	20,474	-	(3,987,234)	-	(3,987,234)
Streets and public works	2,075,608	200	478,126	50,290	(1,546,992)	-	(1,546,992)
Parks and recreation	568,835	146,245	28,900	17,708	(375,982)	-	(375,982)
Community development	390,641	-	-	-	(390,641)	-	(390,641)
Interest on long-term debt	461,514	-	-	-	(461,514)	-	(461,514)
Total Governmental Activities	11,186,998	1,336,944	727,841	67,998	(9,054,215)	-	(9,054,215)
Business-type Activities:							
Water	1,479,544	1,355,455	-	33,626	-	(90,463)	(90,463)
Sewer	1,600,757	1,685,789	-	-	-	85,032	85,032
Storm drain	562,438	545,241	-	120,734	-	103,537	103,537
Solid waste	734,093	832,217	-	-	-	98,124	98,124
Ambulance	503,220	344,431	-	-	-	(158,789)	(158,789)
Total Business-type Activities	4,880,052	4,763,133	-	154,360	-	37,441	37,441
Total Government	\$ 16,067,050	\$ 6,100,077	\$ 727,841	\$ 222,358	(9,054,215)	37,441	(9,016,774)
General Revenues:							
Property taxes					2,955,931	-	2,955,931
Sales taxes					2,832,667	-	2,832,667
Franchise taxes					1,319,771	-	1,319,771
Interest					36,672	14,479	51,151
Gain on disposal of assets					83,712	24,750	108,462
Miscellaneous					163,182	78,291	241,473
Transfers					-	-	-
Total General Revenues and Transfers					7,391,935	117,520	7,509,455
Changes in Net Position					(1,662,280)	154,961	(1,507,319)
Net Position, Beginning					32,419,955	11,187,292	43,607,247
Net Position, Ending					\$ 30,757,675	\$ 11,342,253	\$ 42,099,928

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue		Capital Projects	Debt Service	Total Governmental Funds
		CDRA	South Ogden Days			
Assets:						
Cash and cash equivalents	\$ 1,213,103	\$ 1,217,812	\$ 19,695	\$ 36,342	\$ 191,436	\$ 2,678,388
Accounts receivable	682,762	358,000	13,796	-	-	1,054,558
Due from other governmental units	2,182,602	-	-	-	-	2,182,602
Prepaid items	60,281	-	-	-	-	60,281
Due from funds	114,632	-	-	-	-	114,632
Restricted cash and cash equivalents	596,811	-	-	1,432,542	269,709	2,299,062
Total Assets	\$ 4,850,191	\$ 1,575,812	\$ 33,491	\$ 1,468,884	\$ 461,145	\$ 8,389,523
Liabilities:						
Accounts payable	\$ 183,578	\$ 144,843	\$ 29,767	\$ 11,133	\$ -	\$ 369,321
Accrued liabilities	123,126	-	8,293	-	-	131,419
Developer/customer deposits	63,256	-	-	-	-	63,256
Total Liabilities	369,960	144,843	38,060	11,133	-	563,996
Deferred Inflows of Resources						
Unavailable revenue-property taxes	2,063,116	358,000	-	-	-	2,421,116
Total deferred inflows of resources	2,063,116	358,000	-	-	-	2,421,116
Fund Balances:						
Restricted:						
Class "C" roads	67,525	-	-	192,059	-	259,584
Impact fees	-	-	-	63,501	-	63,501
Debt service	-	-	-	-	269,709	269,709
Road construction	-	-	-	1,176,982	-	1,176,982
Employee benefits	466,030	-	-	-	-	466,030
Committed:						
Construction	100,000	-	-	-	-	100,000
Assigned:						
Special revenue funds	-	1,072,969	-	-	-	1,072,969
Debt service	-	-	-	-	191,436	191,436
Capital projects	-	-	-	25,209	-	25,209
Unassigned	1,783,560	-	(4,569)	-	-	1,778,991
Total Fund Balances	2,417,115	1,072,969	(4,569)	1,457,751	461,145	5,404,411
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,850,191	\$ 1,575,812	\$ 33,491	\$ 1,468,884	\$ 461,145	\$ 8,389,523

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Total Fund Balances - Governmental Funds	\$ 5,404,411
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,668,251
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(61,667)
Long-term liabilities, including bonds, capital leases, and OPEB are not due and payable in the current period and therefore, are not reported in the funds.	<u>(13,253,320)</u>
Total Net Position - Governmental Activities	<u>\$ 30,757,675</u>

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	General Fund	Special Revenue		Capital Projects	Debt Service	Total Governmental Funds
		CDRA	South Ogden Days			
Revenues:						
Property taxes	\$ 2,330,442	\$ 625,489	\$ -	\$ -	\$ -	\$ 2,955,931
Sales taxes	2,832,667	-	-	-	-	2,832,667
Franchise taxes	1,319,771	-	-	-	-	1,319,771
Licenses and permits	416,559	-	-	-	-	416,559
Intergovernmental	693,967	-	-	-	-	693,967
Charges for services	768,621	-	-	67,998	-	836,619
Fines and forfeitures	620,959	-	-	-	-	620,959
Interest	24,910	210	-	9,972	1,580	36,672
Miscellaneous	235,960	-	57,751	-	-	293,711
Total Revenues	9,243,856	625,699	57,751	77,970	1,580	10,006,856
Expenditures:						
Current:						
General government	2,094,688	-	-	-	-	2,094,688
Public safety	3,978,414	-	-	-	-	3,978,414
Streets and public works	865,447	-	-	-	23,586	889,033
Parks and recreation	557,943	-	118,360	1,056,853	-	1,733,156
Community development	-	390,642	-	-	-	390,642
Debt service:						
Principal	-	-	-	-	2,170,000	2,170,000
Interest	-	-	-	-	445,502	445,502
Capital leases:						
Principal	299,549	-	-	-	-	299,549
Interest	25,103	-	-	-	-	25,103
Capital outlay:						
General government	66,047	-	-	-	-	66,047
Public safety	98,412	-	-	-	-	98,412
Streets and public works	140,215	-	-	-	-	140,215
Parks and recreation	129,655	-	-	17,132	-	146,787
Total Expenditures	8,255,473	390,642	118,360	1,073,985	2,639,088	12,477,548
Excess (deficiency) of revenues over (under) expenditures	\$ 988,383	\$ 235,057	\$ (60,609)	\$ (996,015)	\$ (2,637,508)	\$ (2,470,692)

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS (Continued)
For The Year Ended June 30, 2014

	General Fund	Special Revenue		Capital Projects	Debt Service	Total Governmental Funds
		CDRA	South Ogden Days			
Other Financing Sources (Uses):						
Proceeds from capital lease financing	\$ 500,840	\$ -	\$ -	\$ -	\$ 1,511,000	\$ 2,011,840
Proceeds from sale of assets	136,113	-	-	-	-	136,113
Transfers in	-	-	68,000	168,122	1,324,392	1,560,514
Transfers out	(1,560,514)	-	-	-	-	(1,560,514)
Total Other Financing Sources (Uses)	(923,561)	-	68,000	168,122	2,835,392	2,147,953
Net Change in Fund Balances	64,822	235,057	7,391	(827,893)	197,884	(322,739)
Fund Balances, Beginning	2,352,293	837,912	(11,960)	2,273,289	275,616	5,727,150
Prior Period Adjustments				12,355	(12,355)	-
Fund Balances, Ending	\$ 2,417,115	\$ 1,072,969	\$ (4,569)	\$ 1,457,751	\$ 461,145	\$ 5,404,411

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (322,739)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	451,460
Depreciation expense	(2,089,030)
The net effect of various miscellaneous transactions involving capital assets (ie., sales, trade-ins, and donations) is to decrease net fixed assets.	
Asset deletions	(721,245)
Depreciation deletions	668,844
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of bond principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position.	
Bond Proceeds	(1,511,000)
Payment of bond principal	2,170,000
Accrued interest	8,643
Lease proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position.	
Lease Proceeds	(500,840)
Payment of lease principal	287,115
Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. This adjustment reflects the changes due to accrued interest on bonds payable, compensated absences, and other post employment benefits.	
Compensated absences	(40,193)
Other post employment benefits	(63,295)
Changes in net position of governmental activities	<u>\$ (1,662,280)</u>

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2014

	General Fund Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 2,298,546	\$ 2,298,546	\$ 2,330,442	\$ 31,896
Sales taxes	2,901,737	2,901,737	2,832,667	(69,070)
Franchise taxes	1,204,284	1,219,934	1,319,771	99,837
Licenses and permits	281,279	290,779	416,559	125,780
Intergovernmental	597,527	709,862	693,967	(15,895)
Charges for services	905,676	844,429	768,621	(75,808)
Fines and forfeitures	684,500	684,500	620,959	(63,541)
Interest	46,620	46,620	24,910	(21,710)
Miscellaneous	85,820	304,870	235,960	(68,910)
Total Revenues	9,005,989	9,301,277	9,243,856	(57,421)
Expenditures:				
General government:				
City council	154,428	154,428	154,389	39
Legal	85,014	85,014	77,814	7,200
Municipal court	374,144	378,194	371,618	6,576
Administrative	796,204	811,504	795,188	16,316
Non-departmental	552,627	552,227	528,454	23,773
Building and grounds	208,430	208,430	167,978	40,452
Planning and zoning	47,600	47,600	65,294	(17,694)
Public safety:				
Police	2,759,696	2,821,807	2,739,846	81,961
Fire	1,240,548	1,256,393	1,215,540	40,853
Inspection and planning	108,742	123,742	121,440	2,302
Streets and public works				
Streets	612,886	682,706	1,005,662	(322,956)
Parks and recreation	703,888	706,204	687,598	18,606
Capital leases:				
Principal	272,690	351,936	299,549	52,387
Interest	25,080	25,080	25,103	(23)
Total Expenditures	7,941,977	8,205,265	8,255,473	(50,208)
Excess (deficiency) of revenues over (under) expenditures	1,064,012	1,096,012	988,383	(107,629)
Other Financing Sources (Uses):				
Capital leases	174,499	174,499	500,840	326,341
Sale of capital assets	90,000	90,000	136,113	46,113
Transfers out	(1,328,511)	(1,360,511)	(1,560,514)	(200,003)
Total Other Financing Sources (Uses)	(1,064,012)	(1,096,012)	(923,561)	172,451
Net Change in Fund Balances	\$ -	\$ -	64,822	\$ 64,822
Fund Balances, Beginning			2,352,293	
Fund Balances, Ending			\$ 2,417,115	

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – CDRA
For The Year Ended June 30, 2014

	CDRA			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	\$ 1,092,190	\$ 1,092,190	\$ 625,489	\$ (466,701)
Interest	130	130	210	80
Total Revenues	<u>1,092,320</u>	<u>1,092,320</u>	<u>625,699</u>	<u>(466,621)</u>
Expenditures:				
Current:				
Community development	1,092,320	1,092,320	390,642	701,678
Total Expenditures	<u>1,092,320</u>	<u>1,092,320</u>	<u>390,642</u>	<u>701,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>235,057</u>	<u>235,057</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>235,057</u>	<u>\$ 235,057</u>
Fund Balances, Beginning			<u>837,912</u>	
Fund Balances, Ending			<u>\$ 1,072,969</u>	

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – SOUTH OGDEN DAYS FUND
For The Year Ended June 30, 2014

	South Ogden Days Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Miscellaneous	\$ 107,460	\$ 107,460	\$ 57,751	\$ (49,709)
Total Revenues	<u>107,460</u>	<u>107,460</u>	<u>57,751</u>	<u>(49,709)</u>
Expenditures:				
Parks and recreation	<u>143,460</u>	<u>175,460</u>	<u>118,360</u>	<u>57,100</u>
Total Expenditures	<u>143,460</u>	<u>175,460</u>	<u>118,360</u>	<u>57,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,000)</u>	<u>(68,000)</u>	<u>(60,609)</u>	<u>7,391</u>
Other Financing Sources (Uses):				
Transfers in	<u>36,000</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>36,000</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>7,391</u>	<u>\$ 7,391</u>
Fund Balances, Beginning			<u>(11,960)</u>	
Fund Balances, Ending			<u>\$ (4,569)</u>	

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds					Total
	Water	Sewer	Storm Drain	Solid Waste	Ambulance	
Assets:						
Current Assets:						
Cash and cash equivalents	\$ 1,634,087	\$ 658,120	\$ 147,806	\$ 597,782	\$ -	\$ 3,037,795
Accounts receivable, net	236,457	269,096	59,909	96,134	134,280	795,876
Prepays	54,671	-	-	-	-	54,671
Total Current Assets	<u>1,925,215</u>	<u>927,216</u>	<u>207,715</u>	<u>693,916</u>	<u>134,280</u>	<u>3,888,342</u>
Noncurrent Assets:						
Restricted cash and cash equivalents	74,269	-	297,318	-	-	371,587
Capital assets:						
Land	295,405	16,274	100,734	-	-	412,413
Buildings and improvements	567	4,667	-	-	-	5,234
Machinery and equipment	233,731	366,258	83,559	53,494	196,704	933,746
Infrastructure	3,480,855	2,169,018	1,371,919	-	-	7,021,792
Total Noncurrent Assets	<u>4,084,827</u>	<u>2,556,217</u>	<u>1,853,530</u>	<u>53,494</u>	<u>196,704</u>	<u>8,744,772</u>
Total Assets	<u>\$ 6,010,042</u>	<u>\$ 3,483,433</u>	<u>\$ 2,061,245</u>	<u>\$ 747,410</u>	<u>\$ 330,984</u>	<u>\$ 12,633,114</u>

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)
June 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Storm Drain	Solid Waste	Ambulance	Total
Liabilities:						
Current Liabilities:						
Accounts payable	\$ 76,685	\$ 208,357	\$ 15,086	\$ 62,424	\$ 9,737	\$ 372,289
Compensated absences	23,186	13,924	9,659	-	-	46,769
Accrued wages & benefits	4,700	3,434	2,555	-	4,916	15,605
Customer deposits	-	-	-	845	-	845
Due to other funds	-	-	-	-	114,632	114,632
Capital lease	17,618	2,936	20,554	5,873	46,981	93,962
Total Current Liabilities	122,189	228,651	47,854	69,142	176,266	644,102
Noncurrent Liabilities:						
Capital lease	36,495	9,664	38,417	11,823	89,268	185,667
Other post employment benefits	380,091	79,232	1,769	-	-	461,092
Total Noncurrent Liabilities	416,586	88,896	40,186	11,823	89,268	646,759
Total Liabilities	538,775	317,547	88,040	80,965	265,534	1,290,861
Net Position:						
Net investment in capital assets	3,956,445	2,543,617	1,497,241	53,494	196,704	8,247,501
Restricted for impact fees	74,269	-	297,318	-	-	371,587
Unrestricted	1,440,553	622,269	178,646	612,951	(131,254)	2,723,165
Total Net Position	5,471,267	3,165,886	1,973,205	666,445	65,450	11,342,253
Total Liabilities and Net Position	\$ 6,010,042	\$ 3,483,433	\$ 2,061,245	\$ 747,410	\$ 330,984	\$ 12,633,114

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Storm Drain	Solid Waste	Ambulance	Total
Operating Revenues:						
Charges for services	\$ 1,355,455	\$ 1,685,789	\$ 545,241	\$ 832,217	\$ 344,431	\$ 4,763,133
Miscellaneous	65,297	6,000	-	271	6,723	78,291
Total Operating Revenues	1,420,752	1,691,789	545,241	832,488	351,154	4,841,424
Operating Expenses:						
Personnel services	391,288	253,253	192,348	-	277,822	1,114,711
Contractual services	316,889	1,150,210	120,447	701,054	117,238	2,405,838
Materials and supplies	597,522	100,992	151,281	12,085	73,759	935,639
Depreciation	172,829	96,045	97,209	20,724	32,631	419,438
Total Operating Expenses	1,478,528	1,600,500	561,285	733,863	501,450	4,875,626
Operating Income (Loss)	(57,776)	91,289	(16,044)	98,625	(150,296)	(34,202)
Nonoperating Revenues (Expenses):						
Interest income	7,364	3,532	1,281	2,302	-	14,479
Interest expense	(1,016)	(257)	(1,153)	(230)	(1,770)	(4,426)
Gain on sale of capital assets	24,750	-	-	-	-	24,750
Impact fees	33,626	-	120,734	-	-	154,360
Total Nonoperating Revenues (Expenses)	64,724	3,275	120,862	2,072	(1,770)	189,163
Income (Loss) Before Transfers	6,948	94,564	104,818	100,697	(152,066)	154,961
Changes in Net Position	6,948	94,564	104,818	100,697	(152,066)	154,961
Net Position, Beginning	5,464,319	3,071,322	1,868,387	565,748	217,516	11,187,292
Net Position, Ending	\$ 5,471,267	\$ 3,165,886	\$ 1,973,205	\$ 666,445	\$ 65,450	\$ 11,342,253

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Storm Drain	Solid Waste	Ambulance	Total
Cash Flows From Operating Activities:						
Receipts from customers	\$ 1,416,787	\$ 1,706,602	\$ 547,095	\$ 838,498	\$ 296,411	\$ 4,805,393
Payments to suppliers	(969,961)	(1,248,638)	(252,910)	(704,137)	(187,485)	(3,363,131)
Payments to employees and related benefits	(347,763)	(240,747)	(192,028)	-	(278,681)	(1,059,219)
Net cash provided (used) by operating activities	99,063	217,217	102,157	134,361	(169,755)	383,043
Cash Flows From Non-Capital Financing Activities:						
Payments from other funds	-	-	-	-	114,633	114,633
Net cash provided (used) by non-capital financing activities	-	-	-	-	114,633	114,633
Cash Flows From Capital and Related Financing Activities:						
Purchase of capital assets	(52,243)	(350,555)	-	-	(16,895)	(419,693)
Principal paid on capital lease	(19,355)	(4,860)	(21,980)	(4,371)	(33,651)	(84,217)
Interest paid on capital lease	(1,016)	(257)	(1,153)	(230)	(1,770)	(4,426)
Impact fees	33,626	-	120,734	-	-	154,360
Net cash provided (used) by capital and related financing activities	(38,988)	(355,672)	97,601	(4,601)	(52,316)	(353,976)
Cash Flows From Investing Activities:						
Interest on investments	7,364	3,532	1,281	2,302	-	14,479
Net cash provided (used) by investing activities	7,364	3,532	1,281	2,302	-	14,479
Net Increase (Decrease) In Cash	67,439	(134,923)	201,039	132,062	(107,438)	158,179
Cash At Beginning Of Year	1,640,917	793,043	244,085	465,720	107,438	3,251,203
Cash At End Of Year	\$ 1,708,356	\$ 658,120	\$ 445,124	\$ 597,782	\$ -	\$ 3,409,382

The notes to the financial statements are an integral part of this statement.

SOUTH OGDEN CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Storm Drain	Solid Waste	Ambulance	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (57,776)	\$ 91,289	\$ (16,044)	\$ 98,625	\$ (150,296)	\$ (34,202)
Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities:						
Depreciation	172,829	96,045	97,209	20,724	32,631	419,438
(Increase) decrease in assets:						
Accounts receivable	(3,965)	14,813	1,854	6,010	(54,743)	(36,031)
Prepays	(2,323)	-	-	-	-	(2,323)
Increase (decrease) in liabilities:						
Accounts payable	(53,227)	2,564	18,818	8,802	3,513	(19,530)
Accrued liabilities	43,525	12,506	320	200	(860)	55,691
Net cash provided (used) by operating activities	\$ 99,063	\$ 217,217	\$ 102,157	\$ 134,361	\$ (169,755)	\$ 383,043
Noncash investing, capital, and financing activities:						
Purchase of vehicles and equipment on account	78,000	-	-	22,067	169,900	247,900

The notes to the financial statements are an integral part of this statement.

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Ogden City (the City) was incorporated in July 1936. The City operates under a Mayor-Council form of government and provides the following services as authorized by its character: public safety (police, fire, inspection and animal control), streets and highways, public utilities (water, sewer, storm water, solid waste, and ambulance), parks and recreation and general administrative services. The financial statements of South Ogden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(A) The Reporting Entity

As required by generally accepted accounting principles, these financial statements present South Ogden City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operation or financial relationships with the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting agency is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Blended Component Unit

The South Ogden City Community Redevelopment Agency (CDRA) serves all the citizens of the City and is governed by the Mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government. The CDRA's sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax revenue. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the CDRA have been included in the financial reporting entity as a blended component unit. No separate financial statements are available for the CDRA.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of inter-fund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities and inter-fund services provided.

The Statement of Net Position presents the City's assets and liabilities, with the difference reported as net position. Net Position are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(D) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, rather than expenditures in the governmental fund statements.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally within sixty days) to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded when payment is due.

Sales and use taxes, franchise taxes and earned but not yet reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied and available only when cash is received by the county treasurer prior to the City's fiscal year end and remitted to the City within sixty days of its fiscal year end.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes. The City has two special revenue funds, the South Ogden Days Fund and the Community Development Renewal Agency Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The City accounts for various projects in a capital project fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long- term debt principal, interest and related costs.

The City reports the following major enterprise funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business. The intent of the governing body is that the costs of providing goods and services be financed and recovered primarily through user charges. The City operates Water, Sewer, Storm Drain, Garbage, and Ambulance Funds as Enterprise Funds.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and repair services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues are the sales of goods and services to the customers, while the principal expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Budgetary Data

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, capital projects and debt service funds are legally required and prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated fund balance categories is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law also prohibits the accumulation of the stated fund balance categories in any amount greater than 25% of the current year's budgeted revenues.

(F) Taxes

The City's tax rate is adopted before June 22nd and the City is to certify the tax rate to the county Auditor before June 22nd. Budgets for the general, special revenue, debt service and capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah code Sections 10-6-109 through 10-6-135.

All property taxes levied by the City are collected by Weber County. Tax liens are attached as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid a lien is attached to the property, and the amount of taxes and penalties bears interest until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

(G) Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Depreciation of these assets is computed by the use of the straight-line method over their estimated useful lives as follows:

Buildings and improvements	10-50 Years
Sewer collection system	50 Years
Water distribution systems	50 Years
Infrastructure and improvements	10-30 Years
Machinery and equipment	4-15 Years
Other improvements	10-40 Years

(H) Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance are deferred and amortized over the life of the applicable debt.

(I) Cash and cash equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less when acquired by the City.

(J) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(K) Equity Classifications

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

- (1) Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position – consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “Net investment in capital assets”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) Equity Classifications (Continued)

- (1) Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) Restricted fund balance classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) Committed fund balance classification include those funds that can only be used for specific purpose pursuant to constraints imposed by formal action (City Resolution) of the city council, which is government's highest level of decision making authority.
- (4) Assigned fund balance classification includes amounts that are constrained by the government's intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the Finance Director. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.
- (5) Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When committed, assigned, or unassigned resources are available for use, it is the city's policy to use committed resources first, followed by assigned resources, then unassigned resources as they are needed.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds.

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2014, \$302,346 of the City's \$558,582 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risks of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poors; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure by investing mainly in the Utah Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Additional information is available at the Utah State Treasurer's Office.

For the year ended June 30, 2014, the City had investments of \$8,145,370 with the PTIF, as of June 30, 2014 the fair value factor was 1.005506. The fair value of these investments was \$8,190,220.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Certain assets are restricted as follows as of June 30, 2014:

	<u>Amount</u>
Unspent road bond proceeds	\$ 1,176,982
Impact fees	435,088
Debt service	269,709
Developer and customer deposits	63,256
Employee benefits	466,030
Road funds	<u>259,584</u>
Total restricted cash and cash equivalents	<u>\$ 2,670,649</u>

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of the allowance for doubtful accounts at June 30, 2014 for all funds is \$35,358.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,144,413	\$ -	\$ -	\$10,144,413
Construction in progress	20,119	17,131	-	37,250
Total capital assets, not being depreciated	<u>10,164,532</u>	<u>17,131</u>	<u>-</u>	<u>10,181,663</u>
Capital assets, being depreciated:				
Buildings and improvements	12,993,393	3,951	-	12,997,344
Machinery and equipment	6,300,885	430,378	(721,245)	6,010,018
Infrastructure	38,641,300	-	-	38,641,300
Total capital assets, being depreciated	<u>57,935,578</u>	<u>434,329</u>	<u>(721,245)</u>	<u>57,648,662</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,613,005)	(273,489)	-	(2,886,494)
Machinery and equipment	(4,351,309)	(475,430)	668,844	(4,157,895)
Infrastructure	(20,777,574)	(1,340,111)	-	(22,117,685)
Total accumulated depreciation	<u>(27,741,888)</u>	<u>(2,089,030)</u>	<u>668,844</u>	<u>(29,162,074)</u>
Total capital assets, net of accumulated depreciation	<u>30,193,690</u>	<u>(1,654,701)</u>	<u>(52,401)</u>	<u>28,486,588</u>
Governmental activities capital assets, net	<u>\$ 40,358,222</u>	<u>\$ (1,637,570)</u>	<u>\$ (52,401)</u>	<u>\$38,668,251</u>

Governmental activities depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 1,653,314
Public Safety	331,663
Streets and public works	65,590
Parks and recreation	<u>38,463</u>
Total depreciation expense - governmental activities	<u>\$ 2,089,030</u>

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

	Balance June 30, 2013	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2014
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 412,413	\$ -	\$ -	\$ 412,413
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	412,413	-	-	412,413
Capital assets, being depreciated:				
Buildings and improvements	95,212	-	-	95,212
Machinery and equipment	1,675,450	676,161	(111,574)	2,240,037
Infrastructure	12,333,336	-	-	12,333,336
Total capital assets, being depreciated	14,103,998	676,161	(111,574)	14,668,585
Less accumulated depreciation for:				
Buildings and improvements	(88,888)	(1,090)	-	(89,978)
Machinery and equipment	(1,247,744)	(143,864)	85,317	(1,306,291)
Infrastructure	(5,037,060)	(274,484)	-	(5,311,544)
Total accumulated depreciation	(6,373,692)	(419,438)	85,317	(6,707,813)
Total capital assets, net of accumulated depreciation	7,730,306	256,723	(26,257)	7,960,772
Business-type activities capital assets, net	\$ 8,142,719	\$ 256,723	\$ (26,257)	\$ 8,373,185

The Business-type activities depreciation consists of the following at June 30, 2014:

Business-type activities

Water	\$ 172,829
Sewer	96,045
Storm Drain	97,209
Solid Waste	20,724
Ambulance	32,631
Total depreciation expense - business-type activities	\$ 419,438

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2014:

	June 30, 2013	Additions	Deletions	June 30, 2014	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 11,475,000	\$ 1,511,000	\$ (2,170,000)	\$ 10,816,000	\$ 729,000
Capital leases	729,538	500,840	(287,115)	943,263	278,098
Compensated absences	425,837	273,242	(233,049)	466,030	385,786
Other post employment benefits	964,732	128,224	(64,929)	1,028,027	29,825
Governmental activities long-term liabilities	13,595,107	2,413,306	(2,755,093)	13,253,320	1,422,709
Business-type Activities:					
Capital leases	151,630	212,217	(84,218)	\$ 279,629	93,962
Compensated absences	47,798	60,815	(61,844)	46,769	46,769
Other post employment benefits	404,121	56,971	-	461,092	-
Business-type activities long-term liabilities	603,549	330,003	(146,062)	787,490	140,731
	\$ 14,198,656	\$ 2,743,309	\$ (2,901,155)	\$ 14,040,810	\$ 1,563,440

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

Revenue Bonds

Series 2004 Sales Tax Revenue Refunding Bonds, original issue of \$10,745,000, principal due in annual installments beginning May 2005, interest at 2.75% to 5.25% due in semi-annual installments beginning November 2004, with the final payment due November 2018. The bonds were issued to acquire and construct municipal improvements, including a municipal complex to house a new city hall, a police station, a new fire station, and other improvements, and to refinance the outstanding Series 1995 South Ogden City Redevelopment Agency Tax Increment and Annual Appropriation Revenue Bonds. In a prior year a callable portion of these bonds in the amount of \$5,830,000 was defeased using the proceeds of the Series 2006 Sales Tax Revenue Refunding Bonds. During the year this bond was refunded by the 2014 Sales and Excise Tax Revenue Bonds.	\$ -
Series 2006 Sales Tax Revenue Refunding Bonds, original issue of \$6,245,000, principal due in annual installments beginning May 2007, interest at 3.88% to 4.38% due in semi-annual installments beginning May 2007, with the final payment due May 2029. The bonds were issued to refinance a portion of the Series 2004 Series 2004 Sales Tax Revenue and Refunding Bonds.	6,045,000
Series 2009 Sales and Excise Tax Revenue Bonds, original issue of \$2,065,000, principal due in annual installments beginning November 2009, interest at 3.00% to 4.50% due in semi-annual installments beginning May 2010, with the final payment due May 2024. The bonds were issued to finance the acquisition and construction of gym facilities adjoining a new school and related improvements.	1,500,000
Series 2012 Road Revenue Bonds, original issue of \$2,166,000, principal due in annual installments beginning May 2013, interest at 2.075% due in semi-annual installments. The final payment is due May 2022. The bonds were issued to finance road construction.	1,760,000
Series 2014 Sales and Excise Tax Revenue Bonds, original issue of \$1,511,000, principal due in annual installments beginning May 2014, interest at 1.22% due in semi-annual installments beginning May 2014, with the final payment due May 2018. The bonds were issued to refund the 2004 Sales Tax Revenue Refunding bonds. The economic gain was \$96,408 with a Gross Present Value Debt Service Savings of \$95,846.	1,511,000
Total Revenue Bonds - Governmental Activities	<u>\$ 10,816,000</u>

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

All of the City's Revenue Bonds are payable solely by a pledge and assignment of their associated revenue sources. The current revenue recognized during the period for Revenue bonds was \$3,310,793 compared to principal and interest of \$1,125,502. Principal and interest are 34% of pledged revenues for the year ending June 30, 2014.

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities Revenue Bonds	
	Principal	Interest
2015	\$ 729,000	\$ 370,616
2016	739,000	356,413
2017	757,000	341,302
2018	765,000	325,341
2019	807,000	308,863
2020-2024	3,984,000	1,107,763
2025-2029	3,035,000	407,132
	<u>\$ 10,816,000</u>	<u>\$ 3,217,430</u>

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of vehicles and equipment for the City. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows.

	Amount
Machinery and equipment	\$ 1,651,583
Less: Accumulated depreciation	(375,794)
	<u>\$ 1,275,789</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30,	Amount
2015	\$ 399,104
2016	349,405
2017	323,192
2018	40,937
2019	41,595
2020-2023	146,100
Total minimum lease payment	1,300,333
Less: amount representing interest	77,441
Present value of minimum lease payments	<u>\$ 1,222,892</u>

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 COMPENSATED ABSENCES

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). The total compensated absences are reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based off of historical estimates, the City estimates that \$432,555 of the compensated absences balance will be due in the next year.

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

Effective July 1, 2008 the City implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" and GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". These statements establish guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are calculated based on plan benefits (other than pensions), that current and retired employees have accrued as a result of their respective years of employment service.

Plan Description

In addition to providing pension benefits through the Utah Retirement Systems (the Systems), the City provides other postemployment benefits through a single employer defined benefit OPEB plan (the plan), for retired City employees implemented as follows: For employees hired before February 18, 1997, who meet the conditions for retirement as determined by the South Ogden City sponsored retirement plan may elect to continue their health insurance coverage upon retirement. In such case, those retirees shall have their full premium paid for by the city for insurance group coverage for a period of five (5) years for themselves and their dependents or until the June 30th following the retiree's 65th birthday. If the employee becomes ineligible for health insurance the June 30th after their 65th birthday, but his/her spouse has not turned 65 and is therefore not eligible for Medicare, the City will continue to carry and pay for individual health insurance until either five years after the employee's retirement date or until the June 30th after the spouse has turned 65. The employees can also earn a retirement benefit payment equal to ten (10) percent of the employee's highest annual base salary for the last five (5) years of City employment to be paid to the employee annually for five (5) years after retirement from City employment. The plan does not issue stand-alone financial statements.

Public Safety Employees

Twenty Years: Public safety employees who have been employed for not less than twenty (20) years as public safety employees of South Ogden City shall, at the time of their retirement from City employment and upon their participation in the State Public Safety Retirement Program, have the option of receiving their choice of EITHER (i) a retirement benefit payment equal to ten (10) percent of the employee's highest annual base salary for the last five (5) years of City employment to be paid to the employee annually for five (5) years after retirement from City employment; OR, (ii) payment by the City of health and dental insurance for the retiree for up to (5) years, as described in the Employee Benefit Policy.

Twenty Five Years: Public safety employees who have (i) been employed by the City for not less than twenty (20) years as public safety employees, and (ii) have at least twenty-five (25) years of service under the State Public Safety Retirement Program, shall be eligible to receive BOTH a retirement benefit payment equal to ten (10) percent of the employee's last annual base salary to be paid to the employee annually for five (5) years after their retirement from City employment and payment by the City of health and dental insurance for the retiree for up to (5) years, as described in the Employee Benefit Policy.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

Public Employees

Thirty Years: Public employees (all non-public safety employees of the City) who have been employed for not less than thirty (30) years as employees of South Ogden City shall, at the time of their retirement from City employment and upon their participation in the State Public Employee Retirement Program, (or its lawful successor, if any) are eligible to receive BOTH a retirement benefit payment equal to ten (10) percent of the employee's last annual base salary to be paid to the employee annually for five (5) years after their retirement from City employment and payment by the City of health and dental insurance for the retiree for up to (5) years, as described in the Employee Benefit Policy.

Twenty Five Years: Public employees (all non-public safety employees of the City) who have been employed for not less than twenty five (25) years as employees of South Ogden City shall, at the time of their retirement from City employment and upon their participation in the State Public Employee Retirement Program, (or its lawful successor, if any) be eligible to receive both benefits, as described above, if they exercise their rights under the State Public Employee Retirement Program to "buy" additional retirement credit so as to qualify for a thirty (30) year retirement under the State.

The City has used the alternative approach to calculate the benefits cost based on years of service and probability of continued employment and funds the cost annually. For 2014 these costs amounted to \$58,120. The benefits are governed by City policy, and can be amended at any time. The activity of the plan is reported in the City funds from which eligible participants have retired or will retire. The City's plan is financed on a pay-as-you-go basis.

Annual required contribution	\$ 128,390
Adjustment to annual required contribution	<u>(9,893)</u>
Annual OPEB obligation expense	118,497
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	118,497
Net OPEB obligation - beginning of year	<u>1,368,853</u>
Net OPEB obligation - end of year	<u>\$ 1,489,119</u>

The City's annual OPEB cost (expense) is calculated based on the change in net OPEB obligation during the fiscal year. The Annual required contribution (ARC) is calculated based on increase in the OPEB liability during the fiscal year, an amount that in this case is determined in accordance with the parameters set forth on a pay-as-you-go basis. The net OPEB obligation increased due to a change in health care costs.

Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the plan (the plan as understood by the employer and the plan members) and include the types of benefits as described by the plan. Costs (expenses) of an ongoing plan involve estimates of amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the costs (expenses) to the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. For the fiscal year 2014 the valuation of costs (expenses) to the plan were projected based on qualified participants salaries, retirement information, and the annual healthcare cost projected to be paid

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

on behalf of the participants. The City will continue to use this cost (expense) analysis to continue funding the pay-as-you-go process needs of the plan.

NOTE 9 RETIREMENT PLANS

Cost Sharing Defined Benefits Pension Plans

Plan Description: South Ogden City contributes to the Local Governmental Non-contributory Retirement System (Noncontributory System), Public Safety Retirement System (Public Safety System) for employers with Social Security coverage, Firefighters Retirement System (Firefighters System) which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding policy: The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The contribution rates are as follows:

	Paid by Employer for <u>Employee</u>	Employer Contribution <u>Rate</u>
Contributory System:		
Local Governmental Division Tier 2	N/A	13.990%
Noncontributory System:		
Local Governmental Division Tier 1	N/A	17.290%
Public Safety System:		
Other Division A Contributory Tier 2	N/A	22.370%
Other Division A Noncontributory Tier 1	N/A	34.170%
Firefighters System:		
Division A Tier 1	15.050%	2.960%
Division B Tier 2	N/A	11.020%

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLANS (Continued)

Contributions to the pension plans are as follow:

<u>System</u>	<u>Year Ended June 30,</u>	<u>Employee paid Contributions</u>	<u>Employer paid for Employee Contribution</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division	2014	\$ -	\$ -	\$ 12,495	\$ 147,002
	2013	-	-	6,335	74,011
	2012	-	-	2,599	34,247
Noncontributory System:					
Local Governmental Division Tier 1	2014	\$ -	\$ -	\$ 272,736	\$ 1,539,134
	2013	-	-	257,949	1,626,990
	2012	-	-	216,860	1,615,519
Public Safety System:					
Other Division A Contributory	2014	\$ -	\$ -	\$ 3,471	\$ 31,497
Other Division A Noncontributory Tier 1	2014	\$ -	\$ -	\$ 387,713	\$ 1,124,194
	2013	-	-	375,345	1,119,173
	2012	-	-	304,266	1,152,840
Firefighters System:					
Division A Tier 1	2014	\$ -	\$ 85,007	\$ 16,719	\$ 624,671
	2013	-	82,095	14,510	605,266
	2012	-	80,430	2,673	592,805
Division B Tier 2	2014	\$ -	\$ -	\$ 8,356	\$ 75,828
	2013	-	-	3,549	31,970
Defined Contribution System:					
457 Plan	2014	\$ 43,520	\$ -	-	-
	2013	49,772	-	-	-
	2012	47,315	-	-	-
401(k) Plan	2014	\$ 122,523	\$ 56,248	-	-
	2013	111,758	55,649	-	-
	2012	122,441	61,765	-	-
Roth IRA Plan	2014	\$ 6,265	\$ -	-	-
	2013	6,970	-	-	-
	2012	5,225	-	-	-

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. As of June 30, 2014 there were no outstanding unpaid claims. Also, the City has no claim settlements during the three years ending June 30, 2014 which exceeded its insurance coverage.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2014 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund - Governmental Activities	\$ 114,632	\$ -
Ambulance Fund - Business-Type Activities	<u>-</u>	<u>114,632</u>
	<u>\$ 114,632</u>	<u>\$ 114,632</u>

The due to/from other funds are the result of individual funds' cash flow needs.

Inter-fund transfers for the year ended June 30, 2014 were as follows:

Governmental activities:	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ 1,560,514
South Ogden Days fund	68,000	-
Debt Service fund	1,324,392	-
Capital Projects fund	<u>168,122</u>	<u>-</u>
	<u>\$ 1,560,514</u>	<u>\$ 1,560,514</u>

The transfer from the General Fund to the South Ogden Days fund is to provide funding for the South Ogden Days celebration. The transfer from the General Fund to the Debt Service Fund is to provide the necessary funds to pay debt payments. The transfer from the General fund to the Capital Projects Fund is to provide funds for various road projects.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

The governmental funds also report unavailable resources from property taxes as deferred inflows of resources due to the property taxes being recognized as receivables prior to the period for which the taxes are levied. These amounts are also reported as deferred inflows of resources on the government-wide statement of net position.

NOTE 13 REDEVELOPMENT AGENCY OF THE CITY OF SOUTH OGDEN

For the year ended June 30, 2014, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected from other taxing agencies for Project Area:

<u>Project Area 1</u>	
Washington boulevard	\$ 24,033
<u>Project Area 2</u>	
36th street	113,097
<u>Project Area 3</u>	
Northwest project area	440,310
<u>Project Area 4</u>	
Hinckley project	48,049
	<u>\$ 625,489</u>
Tax increment paid to other taxing agencies	\$ -
Outstanding loans to finance RDA projects	\$ -
Amounts expended for site improvements and preparation costs	\$ 354,067
Amounts expended for acquisition of property	\$ -
Amounts expended for installation of public utilities and other public improvements	\$ -
Amounts expended for administrative costs	\$ 36,575

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PRIOR PERIOD ADJUSTMENT

In prior years interest income of \$12,355 was recorded in the debt service fund. In the current year management determined that it was more accurate to record this interest income into the capital projects fund. A prior period adjustment was recorded which increased fund balance in the capital projects fund by \$12,355 and decreased fund balance in the debt service fund by \$12,355. Both of these funds are included in governmental activities, therefore no adjustment was necessary at the Government wide level.

CITY OF SOUTH OGDEN
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**SOUTH OGDEN CITY
SUPPLEMENTARY REPORTS
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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Tyson C. Beck, CPA

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and
Members of the City Council
City of South Ogden
South Ogden, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Ogden, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of South Ogden's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of South Ogden's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of South Ogden's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of South Ogden's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

December 16, 2014



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Tyson C. Beck, CPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
THE *STATE COMPLIANCE AUDIT GUIDE* ON:
COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS,
COMPLIANCE FOR EACH MAJOR STATE PROGRAM, AND
INTERNAL CONTROL OVER COMPLIANCE

Honorable Mayor and
Members of City Council
City of South Ogden
South Ogden, Utah

REPORT ON COMPLIANCE

We have audited the City of South Ogden's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

Budgetary Compliance	Transfers from Utility Enterprise Funds
Fund Balance	Government Records Access Management Act (GRAMA)
Justice Court	Open and Public Meetings Act
Utah Retirement System Compliance	

The City did not have any state funding classified as a major program during the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on South Ogden City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, South Ogden City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying *Schedule of Findings and Recommendations* as items 1-4. Our opinion on compliance is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations* as items 1-4. The city's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal controls over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with general state compliance requirements to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen, LLC

December 16, 2014

**South Ogden City
Schedule of Findings and Recommendations
For The Year Ended June 30, 2014**

1. Expenditures in Excess of Budget - State Compliance

Finding:

Utah State Code Section 53a-17 states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriations for any department or fund". During our audit we noted that the City's General fund had expenditures that exceeded total budgeted appropriations by \$50,208.

Recommendation:

We recommend that the City closely monitor expenditures in the funds to ensure the City is in compliance with Utah State Code.

City Response:

The City will more closely monitor expenditures to avoid exceeding the budgeted appropriations. This overage was the result of a lease agreement that was over-looked and not incorporated in the City's budget.

2. Transfers in excess of budget - State Compliance

Finding:

Transfers from the General Fund to the Debt Service Fund fund exceeded budget by \$200,000.

Recommendation:

We recommend that all expenditures, including transfers to other funds, are properly appropriated through the budget process as outlined by state laws.

City Response:

The City will be more careful to properly appropriate the transfer of funds through the budget process. In this instance a transfer of funds was made to the Debt Service Fund but was inadvertently left off of the necessary budget amendment to account for the transfer.

3. Deficit Fund Balance - State Compliance

Finding:

"Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are a violation of state code." (Utah Code 17-36-17; 10-6-117; 10-5-114; & 17B-1-613). During the test work for state and legal compliance it was noted that at the end of June 30, 2014 the City's South Ogden Fund had a deficit fund balance of \$4,569.

Recommendation:

The City should ensure that each fund's operations have sufficient revenues to cover expenses (i.e. maintain a balanced budget).

City Response:

The City will seek to ensure that there are enough revenues to cover expenses in the South Ogden Day's Fund.

South Ogden City
Schedule of Findings and Recommendations (Continued)
For The Year Ended June 30, 2014

4. Court Credits - State Compliance

Finding:

The justice court is required to obtain and retain documentation authorized by the bail schedule (as specified in the Uniform Fine/Bail Schedule) or ordered by the judge (specified in the judicial order or a general court order) to support any case dismissal, credit, or accounts receivable adjustment. Specifically credits are given to defendants for completion of certain actions (showing proof of insurance, community service completion, etc). In one out of five credits tested, proper documentation was not available to support a credit granted by the court.

Recommendation:

We recommend that the City obtain and retain supporting documentation to support the release granted pursuant to judicial order and Utah State Code.

City Response:

It is the policy of the City to retain a copy of all supporting documentation whenever a credit or dismissal is applied to due to bail schedule compliance or court order. These documents are then forwarded to the supervisor for secondary approval. The City will strive to make sure the necessary documentation and authorizations are received when dealing with any court credits.